Tongaat Hulett

AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2014

- **Revenue of R15,716 billion** (2013: R14,373 billion) +9%
- **Operating profit of R2,374 billion** (2013: R2,131 billion) +11%
- **Operating cash flow of R2,934 billion** (2013: R2,182 billion) +34%
- **Headline earnings of R1,106 billion** (2013: R1,067 billion) +4%
- **Annual Dividend of 360 cents per share** (2013: 340 cents per share) +6%

COMMENTARY

The results for the year ended 31 March 2014 were achieved with significantly increased momentum and value in land conversion and development activities, together with a strong performance from the starch operations, at the same time as the sugar operations' profit being negatively affected by severe market dynamics impacting revenue and cane valuations, partially off-set by substantial cost reductions and volume growth.

The starch operation grew operating profit to R482 million (2013: R388 million). Starch and glucose processing margins benefitted from local maize that was competitive with international prices, favourable exchange rates and good co-product realisations. Total sales volumes grew by 4%, driven by increased exports and growth in the coffee/creamer sectors which offset declines in other local sectors.

Land conversion activities generated operating profit of R1,080 billion from sales of 259 developable hectares, with a further 8 200 developable hectares still available and earmarked for development. In the past year, 63 developable hectares were sold at an average profit of some R7,6 million per developable hectare in the Umhlanga Ridgeside, Izinga/Kindlewood, Cornubia Industrial and Business areas, as well as a site for a major retail facility that links Cornubia to Umhlanga Ridge. The sale of an entire precinct of 6 developable hectares to a single developer in Umhlanga Ridge Town Centre was concluded that will yield some 1 500 affordable rental homes over time and represented profit of R24 million per developable hectare. Tongaat Hulett continues to work together with Government and related organisations to capture the synergy of each other's unique capabilities and to maximise the value for all stakeholders that can be derived from the region between Durban and Ballito. The past year has seen two transactions for the sale of 190 developable hectares to Dube TradePort that, while not yet shovel ready, adjoins the international airport and is of strategic importance to the KZN Provincial Government's medium term growth plans.

Operating profit from the various sugar operations totalled R908 million (2013: R1,4 billion). The world sugar price has been at its lowest level in many years. In the regional markets, substantial local market sales were lost to imports as a result of inadequate protection during this period of world surplus, leading to increased export volumes. Exports from Zimbabwe and Mozambique to the EU averaged some 8 US cents per pound lower than the levels in the last two years. Overall, revenue earned and cane valuations were negatively impacted by some R1,5 billion compared to last year, with the cane valuation charge in the income statement being a non-cash item. The sugar operations' total operating profit before the impact of cane valuations was R1,061 billion compared to R962 million in the prior year, as the negative impact on revenue of pricing and the mix of local/export sales was more than offset by the benefit of volume growth and cost savings, together with favourable exchange rates.

Tongaat Hulett's total sugar production grew by 170 000 tons to 1,424 million tons, compared to the low point of 1,006 million tons in 2010/11. South Africa produced 634 000 tons (2013: 486 000 tons), Mozambique 249 000 tons (2013: 235 000 tons), Swaziland 53 000 tons of raw sugar equivalent (2013: 58 000 tons) and Zimbabwe produced 488 000 tons of sugar (2013: 475 000 tons).

The past year has seen considerable increases in wage rates, particularly at the lower levels where the majority of man hours are worked, as well as price increases for bought-in goods and services. Notwithstanding this, significant success has been achieved to reduce the cost of sugar production in respect of goods, services, transport, marketing, salaries and wages. The unit cost of production in South Africa reflected the benefit of volume growth with limited cost increases.

In Zimbabwe, revenue in US dollars was 25% lower than the prior year, as a result of lower local market sales (mainly due to substantially increased imports in the market) with the resultant additional lower priced exports. Cane valuations were impacted by lower prices and the effect of curtailed root replanting as a consequence of the water dynamics during the year – reflecting a US$33 million negative change in the income statement compared to last year. The dams have now recovered, following good rains, to the extent that new root replanting has now resumed. The cost of bought-in goods and services, salaries and wages was US$40 million lower than the prior year. The operating profit from the Zimbabwe sugar operations amounted to US$33 million (R330 million) compared to the last year of US$74 million (R625 million).

Mozambique experienced the same dynamics, with an 11% reduction in Metical (Mt) revenue mainly as a result of lower export prices. There was also a negative cane valuation impact in the income statement – amounting to a change of Mt676 million (equivalent of R229 million) compared to last year. The cost of goods and services, salaries and wages was lower than the prior year by an amount of Mt267 million, which was the Rand equivalent of R91 million. Taking all these factors into account, operating profit from the Mozambique sugar operations reduced to R168 million (2013: R421 million).

The South African sugar operations, including the agriculture, milling, refining and various downstream activities recorded operating profit of R340 million (2013: R308 million). The benefit of substantial growth in sugar production was partially offset by the pressure on revenue of lower local market volumes and net prices as a result of import competition, lower export prices and the reduced benefit of cane valuations compared to the prior year. The 30% volume growth was achieved with the total increase in the cost of goods, services, transport, marketing, salaries and wages being limited to 10%.

The Swaziland sugar cane growing operations reported operating profit of R70 million (2013: R76 million).

The centrally accounted and consolidation items together with lower BEE IFRS 2 charges amounted to R97 million (2013: R53 million). A pension fund recognition benefit in the prior year was not repeated in the current year. Finance costs amounted to R609 million (2013: R560 million) and were commensurate with the borrowing levels earlier in the year.

Operating cash flow improved by R750 million to R2,93 billion (2013: R2,18 billion) before working capital. Operating cash flow exceeded operating profit as the latter includes the non-cash reduction in the fair value of sugar cane. The higher working capital cash absorption in the current period is particularly as a consequence of higher sugar stock levels at year-end in Zimbabwe and increased debtor levels in the South African developments operation following the higher level of land sales. Net cash flow for the year, after dividends, was a positive R300 million, a R480 million improvement over last year. Net debt at the end of the year was R4,32 billion which is lower than the last two years (2013: R4,64 billion and 2012: R4,40 billion).

Total net profit before the deduction of minority interests was R1,227 billion (2013: R1,179 billion) and headline earnings attributable to Tongaat Hulett shareholders amounted to R1,106 billion compared to R1,067 billion last year. A final dividend of 210 cents per share has been declared, bringing the annual dividend to 360 cents per share (2013: 340 cents per share).

OUTLOOK

Earnings are expected to increase in the full year ahead, driven by continuing growth in operating profit and cash flow.

Sugar prices are expected to stabilise, at least. Better import protection should lead to lower exports being necessary. The value of standing cane has undergone a write-down in the 2013/14 year, to reflect the current low sugar prices. As yields increase and the hectares under cane grow, a cane valuation gain would be expected.

The sustainable cost reductions of the past year provide a good base for the next steps in the ongoing cost reduction process and unit costs of sugar production will also continue to benefit from further growth in volumes and better yields, as milling costs and many of the agricultural costs per hectare are mostly fixed.

Tongaat Hulett is in the fortunate position of having more than 700 000 tons per annum of existing unutilised sugar milling capacity (a R13 billion replacement value) and increasingly good electricity and ethanol prospects. The incremental / marginal profit from each extra ton of sugar is attractive. Sugar production is expected to increase from 1,424 million tons in the past year to more than 1,800 million tons over the next four years, with the focus on increasing cane supplies continuing.

A period of unsustainably low international prices has been experienced following two seasons of exceptionally good weather conditions for sugar cane growing globally, high stock levels and low Government controlled ethanol prices in Brazil. The changes in the EU are ongoing, with some fundamentals remaining in place, including duty free access for Mozambique, Zimbabwe and Swaziland. At present, the EU market position seems to have stabilised at the current lower levels, in anticipation of reform in 2017.

Recently instituted measures in Zimbabwe to protect the local market against unfair import competition are expected to yield benefits. South Africa will benefit from the recently increased reference price used in the import duty calculation, particularly if the exchange rate remains at current levels.

The starch operations are well positioned to continue to perform strongly. The latest maize crop estimates are for a larger crop and competitive maize costs are expected.

The current momentum in unlocking value from land conversion and development is expected to continue. Over the next 5 years, sales will come from the urban expansion north of Durban in the Umhlanga and Cornubia areas, coastal lifestyle areas of Zimbali and Sibaya, business and residential development around the airport, coastal development north of Ballito in Tinley Manor and in the Ntshongweni area west of Durban. Sales of between 1 000 and 1 500 developable hectares are expected to be achieved over the 5 year period, based on current economic conditions. Good progress is being made with the targeted sale of 42 developable hectares of some of the remaining prime land in Umhlanga Ridgeside, the area where a net cash profit of R34 million per developable hectare has been achieved. The majority of the land conversion profits for 2014/15 are expected to be reported in the second half of the year while cash flow in the first half of the year will benefit from the land sales concluded towards the end of 2013/14.

Tongaat Hulett's positive socio-economic profile in the southern African region continues to grow. In KwaZulu-Natal there are established collaborations with Provincial and Local authorities in the inextricably linked areas of sugar and cane activities (the planting of 24 979 hectares in the last three years has created some 6 250 direct jobs in rural areas), the development of urban areas (including Cornubia) and maximising the future benefit of renewable energy. The situation in Zimbabwe is in a constructive phase, with Tongaat Hulett, the Government and local communities working together on socio-economic initiatives in the south-eastern Lowveld region of the country. This was again demonstrated by the proactive response of the authorities to the recent illegal attempt at land invasion. One of the key focus areas remains the orderly development of sustainable private sugar cane farmers. At the end of the 2013/14 season, some 813 active indigenous private farmers, farming on some 14 000 hectares and employing more than 6 700 people, supplied 1 017 000 tons of cane at a cane yield of 74 tons cane per hectare harvested, generating US$58 million in annual revenue. Current initiatives will increase this, by the 2017/18 season, to some 1 022 private farmers supplying more than 1 800 000 tons of cane at a cane yield above 100 tons cane per hectare harvested from 18 880 farmed hectares.

The business is in a good position to benefit from multiple actions taken across a wide front, with its footprint in six SADC countries, its ability to process both sugar cane and maize, renewable energy opportunities and increased momentum in land conversion.

For and on behalf of the Board

J B Magwaza
Chairman

Peter Staude
Chief Executive Officer

Amanzimnyama, Tongaat, KwaZulu-Natal 22 May 2014

INCOME STATEMENT

Summarised consolidated Rmillion	2014	2013 (note 8)
Revenue	**15 716**	14 373
Operating profit	**2 374**	2 131
Net financing costs (note 1)	(609)	(560)
Profit before tax	**1 765**	1 571
Tax (note 2)	(538)	(392)
Net profit for the year	**1 227**	1 179
Profit attributable to:		
Shareholders of Tongaat Hulett	1 155	1 079
Minority (non-controlling) interest	72	100
	1 227	1 179
Headline earnings attributable to Tongaat Hulett shareholders (note 3)	**1 106**	1 067
Earnings per share (cents)		
Net profit per share		
Basic	1 034,4	978,9
Diluted	1 022,3	961,0
Headline earnings per share		
Basic	990,5	968,0
Diluted	978,9	950,3
Dividend per share (cents)	**360,0**	340,0
Currency conversion		
Rand/US dollar closing	10,56	9,21
Rand/US dollar average	10,13	8,48
Rand/Metical average	0,34	0,30
Rand/Euro average	13,59	10,95
US dollar/Euro average	1,34	1,29

SEGMENTAL ANALYSIS

	2014	2013
REVENUE		
Sugar		
Zimbabwe	2 896	3 222
Swaziland	211	207
Mozambique	1 704	1 688
South Africa	6 224	5 739
Sugar operations - total	11 035	10 856
Starch operations	3 210	2 859
Land Conversion and Developments	1 471	658
Consolidated total	**15 716**	14 373
OPERATING PROFIT		
Sugar		
Zimbabwe	330	625
Swaziland	70	76
Mozambique	168	421
South Africa	340	308
Sugar operations - total	908	1 430
Starch operations	482	388
Land Conversion and Developments	1 080	366
Centrally accounted and consolidation items	(76)	(9)
BEE IFRS 2 charge and transaction costs	(21)	(44)
Share of associate company's profit	1	
Consolidated total	**2 374**	2 131

STATEMENT OF CASH FLOWS

	2014	2013
Operating profit	2 374	2 131
Profit on disposal of property, plant and equipment	(75)	(24)
Depreciation	571	472
Growing crops and other non-cash items	64	(397)
Operating cash flow	2 934	2 182
Change in working capital	(761)	(56)
Cash flow from operations	2 173	2 126
Tax payments	(452)	(239)
Net financing costs	(609)	(560)
Cash flow from operating activities	**1 112**	1 327
Expenditure on property, plant and equipment:		
New	(117)	(447)
Replacement and plant overhaul	(411)	(570)
Expenditure on intangible assets	(7)	(15)
Capital expenditure on growing crops	(118)	(157)
Proceeds on disposal of property, plant and equipment	96	40
Investments	(2)	(1)
Net cash flow before dividends and financing activities	553	177
Dividends paid	(253)	(357)
Net cash flow before financing activities	300	(180)
Borrowings raised	(258)	503
Non-recourse equity-settled BEE borrowings	(31)	(15)
Shares issued	5	5
Settlement of share-based payment awards	(15)	(94)
Net increase in cash and cash equivalents	1	219
Balance at beginning of year	917	592
Foreign exchange adjustment	149	106
Cash and cash equivalents at end of year	**1 067**	917

STATEMENT OF FINANCIAL POSITION

Summarised consolidated Rmillion	2014	2013 (note 8)
ASSETS		
Non-current assets		
Property, plant and equipment	11 279	10 287
Growing crops	5 005	4 583
Long-term receivable	485	455
Goodwill	338	300
Intangible assets	70	78
Investments	18	14
	17 195	15 717
Current assets	6 781	5 584
Inventories	2 416	1 858
Trade and other receivables	2 850	2 301
Major plant overhaul costs	432	508
Derivative instruments	16	
Cash and cash equivalents	1 067	917
TOTAL ASSETS	**23 976**	21 301
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	135	134
Share premium	1 543	1 539
BEE held consolidation shares	(700)	(747)
Retained income	7 412	6 541
Other reserves	2 172	865
Shareholders' interest	**10 562**	8 332
Minority interest in subsidiaries	1 628	1 373
Equity	**12 190**	9 705
Non-current liabilities	7 612	6 855
Deferred tax	2 131	1 930
Long-term borrowings	4 094	3 481
Non-recourse equity-settled BEE borrowings	691	722
Provisions	696	722
Current liabilities	4 174	4 741
Trade and other payables (note 4)	2 741	2 572
Short-term borrowings	1 293	2 078
Derivative instruments	1	16
Tax	139	75
TOTAL EQUITY AND LIABILITIES	**23 976**	21 301
Number of shares (000)		
– in issue	109 967	108 648
– weighted average (basic)	111 655	110 225
– weighted average (diluted)	112 980	112 274

STATEMENT OF CHANGES IN EQUITY

	2014	2013
Balance at beginning of year	8 332	6 678
Total comprehensive income for the year	2 397	1 996
Retained earnings	1 142	1 046
Movement in hedge reserve	4	(5)
Foreign currency translation	1 251	955
Dividends paid	(240)	(347)
Share capital issued - ordinary	5	5
BEE held consolidation shares	16	37
Share-based payment charge	67	57
Settlement of share-based payment awards	(15)	(94)
Shareholders' interest	**10 562**	8 332
Minority interest in subsidiaries	1 628	1 373
Balance at beginning of year	1 373	1 088
Total comprehensive income for the year	268	295
Retained earnings	73	101
Foreign currency translation	195	194
Dividends paid to minorities	(13)	(10)
Equity	**12 190**	9 705

STATEMENT OF OTHER COMPREHENSIVE INCOME

	2014	2013
Net profit for the year	**1 227**	1 179
Other comprehensive income	**1 438**	1 112
Items that will not be reclassified to profit or loss:		
Foreign currency translation	1 446	1 149
Actuarial loss	(17)	(44)
Tax on actuarial loss	5	12
Items that may be reclassified subsequently to profit or loss:		
Hedge reserve	6	(6)
Tax on movement in hedge reserve	(2)	1
Total comprehensive income for the year	2 665	2 291
Total comprehensive income attributable to:		
Shareholders of Tongaat Hulett	2 397	1 996
Minority (non-controlling) interest	268	295
	2 665	2 291

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DIVIDEND DECLARATION

Notice is hereby given that the Board has declared a final gross cash dividend (number 173) of 210 cents per share for the year ended 31 March 2014 to shareholders recorded in the register at the close of business on Friday 20 June 2014.

The salient dates of the declaration and payment of this final dividend are as follows:

Last date to trade ordinary shares		
"CUM" dividend	Thursday	12 June 2014
Ordinary shares trade "EX" dividend	Friday	13 June 2014
Record date	Friday	20 June 2014
Payment date	Thursday	26 June 2014

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Thursday 12 June 2014 and Friday 20 June 2014, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Dividends paid by the United Kingdom transfer secretaries will be paid in British currency at the rate of exchange ruling at the close of business on Thursday 12 June 2014.

The dividend has been declared from income reserves. A net dividend of 178,5 cents per share will apply to shareholders liable for the local 15% dividend withholding tax and 210 cents per share to shareholders exempt from paying the dividend tax. There are no STC credits available for utilisation. The issued ordinary share capital as at 22 May 2014 is 109 967 030 shares. The company's income tax reference number is 9306/101/20/6.

For and on behalf of the Board

M A C Mahlari
Company Secretary

Amanzimnyama, Tongaat, KwaZulu-Natal 22 May 2014

NOTES

Summarised consolidated Rmillion	2014	2013 (note 8)
1. Net financing costs		
Interest paid	(646)	(596)
Interest received	37	36
	(609)	(560)
2. Tax		
Normal	(513)	(294)
Deferred	(29)	(93)
Rate change adjustment - deferred	4	(5)
	(538)	(392)
3. Headline earnings		
Profit attributable to shareholders	1 155	1 079
Adjusted for:		
Capital profit on disposal of land and buildings	(66)	(16)
Capital loss on other items		1
Profit on fixed assets and other disposals	(1)	
Tax on the above items	18	3
	1 106	1 067
4. Trade and other payables		
Included in trade and other payables is the maize obligation (interest bearing) of R334 million (2013: R216 million).		
5. Capital expenditure commitments		
Contracted	74	175
Approved	152	312
	226	487
6. Operating lease commitments	128	104
7. Guarantees and contingent liabilities	116	38

8. Basis of preparation

The summarised consolidated financial information for the year ended 31 March 2014 has been prepared in accordance with the JSE Limited Listings Requirements for provisional reports, the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the information as required by International Accounting Standard 34 Interim Financial Reporting and the requirements of, including the audit thereof, in terms of the Companies Act of South Africa. Except as described below, the report has been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the year ended 31 March 2013 and were prepared under the supervision of the Chief Financial Officer, M H Munro CA (SA).

Tongaat Hulett has adopted all the new or revised accounting pronouncements as issued by the IASB which were effective for Tongaat Hulett from 1 January 2013. The adoption of these standards, in particular IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurement which require additional disclosure that will be included in the integrated annual report, had no recognition and measurement impact on the financial results, other than for the adoption of the revised IAS 19 Employee Benefits which requires that post-retirement benefit accounting actuarial gains and losses be recognised immediately in other comprehensive income and no longer be amortised through profit or loss.

Comparative figures have been restated, with the effect of the compulsory adoption of the revised IAS 19 on profit or loss for the year ended 31 March 2013 being an increase in operating profit of R12 million, a corresponding tax charge of R3 million and an increase in net profit of R9 million. Other comprehensive income decreased by R26 million after tax. The effect on the statement of financial position at 31 March 2013 was an increase in provisions for retirement benefits of R68 million and decreases in equity and deferred tax of R47 million and R21 million respectively.

9. Audited results

These summarised consolidated financial statements, which have been derived from the audited annual financial statements and with which they are consistent in all material respects, have been audited by Deloitte & Touche. Their unmodified audit opinions on the annual financial statements and on the summarised financial statements (IAS 810) are available for inspection at the registered office of the company. The auditor's report does not necessarily cover all of the information contained in this announcement and any reference to future financial performance included in this announcement has not been reviewed or reported on. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of the integrated annual report from the registered office of Tongaat Hulett after it has been released prior to 30 June 2014.

CORPORATE INFORMATION

Tongaat Hulett Limited
Registration No: 1892/000610/06 JSE share code: TON ISIN: ZAE000096541
Directorate: J B Magwaza (Chairman), P H Staude (Chief Executive Officer)*, F Jakoet, J John, R P Kupara^, AA Maleiane+, T N Mgoduso, N Mjoli-Mncube, M H Munro*, S G Pretorius, C B Sibisi.
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